

VILLAGE OF BURR OAK, ST. JOSEPH COUNTY

FINANCIAL STATEMENT

MARCH 31, 2005

# AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Village of Burr Oak	County St. Joseph
Audit Date March 31, 2005	Opinion Date August 29, 2005	Date Accountant Report Submitted to State: September 6, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

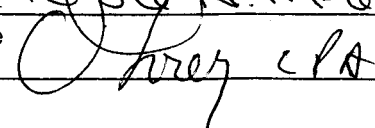
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |   |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) David F. Looney, CPA, PC			
Street Address 6700 Blum - 66	City Sturgis	State MI	ZIP 49091
Accountant Signature 			

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## INDEPENDENT AUDITOR'S REPORT

To the Village Board  
Village of Burr Oak  
Burr Oak, Michigan

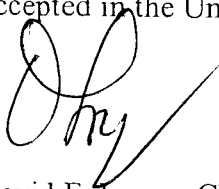
We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Burr Oak, Michigan, as of and for the year ended March 31, 2005, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Burr Oak, Michigan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in the notes to the financial statements, management has not reported its financial statement under GASB 34 reporting format. As a result, no management discussion and analysis report, government wide statement of net assets, or government wide statement of activities is included. Management has not recorded certain general assets in governmental activities and, accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that those general infrastructure assets be capitalized and depreciated, which would increase the assets and expenses of the governmental activities. The amount by which this departure would affect the assets and expenses of the governmental activities is not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United State of America, the financial position of the governmental activities of the Village of Burr Oak, Michigan, as of March 31, 2005, and the changes in financial position thereof for the year then ended.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Burr Oak, Michigan as of March 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink, appearing to read 'D. Locey', with a long, sweeping horizontal stroke extending to the right.

David F. Locey, CPA, PC  
Sturgis, Michigan  
August 29, 2005

VILLAGE OF BURR OAK , ST. JOSEPH COUNTY

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Village of Burr Oak - St. Joseph County  
Combined Balance Sheet  
All Fund Types and Account Groups  
March 31, 2005

	Governmental Fund Types		Proprietary Fund Types	Account Groups	Total (Memorandum Only)
	General	Special Revenue	Water and Sewer	General Fixed Assets	Reporting Entity
<u>ASSETS</u>					
Cash & cash equivalents	\$207,727	\$227,316	\$532,557	\$0	\$967,600
Receivables					
Taxes	11,016	4,656	17,104	0	32,776
Due From Bond Project	0	0	158,374	0	158,374
Due from state	18,607	13,271	0	0	31,878
Due from other funds	412,948	162,531	1,023	0	576,502
Deferred charges	19,053	6,907	4,818	0	30,778
Fixed Assets (net, where applicable, of accumulated depreciation)	0	0	864,215	630,159	1,494,374
Total Assets	<u>\$669,351</u>	<u>\$414,681</u>	<u>\$1,578,091</u>	<u>\$630,159</u>	<u>\$3,292,282</u>
<u>LIABILITIES AND FUND EQUITY</u>					
Liabilities					
Accounts payable - payroll	\$2,956	\$1,396	\$5,497	\$0	\$9,849
Accrued liabilities	4,386	0	0	0	4,386
Due to other funds	150,625	36,442	389,435	0	576,502
Other liabilities - bonds	0	0	710,000	0	710,000
Total Liabilities	<u>157,967</u>	<u>37,838</u>	<u>1,104,932</u>	<u>0</u>	<u>1,300,737</u>
Fund Equity					
Investment in Fixed Assets	0	0	0	630,159	630,159
Contributed Capital	0	0	2,778,696	0	2,778,696
Retained earnings	0	0	0	0	0
Reserved	0	0	0	0	0
Unreserved			(2,305,537)	0	(2,305,537)
Fund Balances					
Unreserved -- Undesignated	<u>511,384</u>	<u>376,843</u>	<u>0</u>	<u>0</u>	<u>888,227</u>
Total Fund Equity	<u>511,384</u>	<u>376,843</u>	<u>473,159</u>	<u>630,159</u>	<u>1,991,545</u>
Total Liabilities and Fund Equity	<u>\$669,351</u>	<u>\$414,681</u>	<u>\$1,578,091</u>	<u>\$630,159</u>	<u>\$3,292,282</u>

The Notes to the Financial Statements are an integral part of this statement.



Village of Burr Oak - St. Joseph County  
Combined Statement of Revenues, Expenditures And Changes In Fund Balances - All  
Governmental Fund Types  
For the Year Ended March 31, 2005

	Governmental Funds		Total (Memorandum Only)
	General	Special Revenue	Reporting Entity
Revenues			
Taxes and Penalties	\$115,841	\$21,298	\$137,139
Licenses and Permits	3,804	0	3,804
State Grants	102,735	73,677	176,412
Fines and Forfeits	256	0	256
Interest and Rentals	12,679	1,966	14,645
Other Revenue	2,873	35,218	38,091
Total Revenues	238,188	132,159	370,347
Expenditures			
Current			
Legislative	4,596	0	4,596
General Government	55,859	0	55,859
Public Safety	98,259	37,530	135,789
Public Works	17,595	66,312	83,907
Recreation and Cultural	17,416	0	17,416
Total Expenditures	193,725	103,842	297,567
Excess of Revenues Over (Under) Expenditures	44,463	28,317	72,780
Other Financing Sources (Uses)			
Operating Transfers In	0	0	0
Operating Transfers (Out)	0	0	0
Total Other Financing Sources (Uses)	0	0	0
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	44,463	28,317	72,780
Prior Period Adjustment	1,913	0	1,913
Fund Balance - Beginning of the Year	465,008	348,526	813,534
Fund Balance - End of the Year	\$511,384	\$376,843	\$888,227

The Notes to the Financial Statements are an integral part of this statement.

Village of Burr Oak - St. Joseph County  
Combined Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual  
General Fund and Special Revenue Funds  
For the Year Ended March 31, 2005

	General Fund		
	Budget	Actual	Over (Under) Budget
Revenues			
Taxes and Penalties	\$109,236	\$115,841	\$6,605
Licenses and Permits	4,032	3,804	(228)
State Grants	102,996	102,735	(261)
Fines and Forfeits	444	256	(188)
Interest and Rentals	13,548	12,679	(869)
Other Revenue	5,664	2,873	(2,791)
Total Revenues	235,920	238,188	2,268
Expenditures			
Current			
Legislative	4,596	4,596	0
General Government	67,392	55,859	(11,533)
Public Safety	142,644	98,259	(44,385)
Public Works	16,500	17,595	1,095
Recreation and Cultural	19,980	17,416	(2,564)
Total Expenditures	251,112	193,725	(57,387)
Excess of Revenues Over (Under) Expenditures	(15,192)	44,463	59,655
Other Financing Sources (Uses)			
Operating Transfers In	0	0	0
Operating Transfers Out	0	0	0
Total Other Financing Sources (Uses)	0	0	0
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(15,192)	44,463	59,655
Prior Period Adjustment	1,913	1,913	0
Fund Balance - Beginning of the Year	465,008	465,008	0
Fund Balance - End of the Year	<u>\$451,729</u>	<u>\$511,384</u>	<u>\$59,655</u>

The Notes to the Financial Statements are an integral part of this statement.

Special Revenue Funds			Total (Memorandum Only) Reporting Entity		
Budget	Actual	Over (Under) Budget	Budget	Actual	Over (Under) Budget
\$17,964	\$21,298	\$3,334	\$127,200	\$137,139	\$9,939
0	0	0	4,032	3,804	(228)
66,516	73,677	7,161	169,512	176,412	6,900
0	0	0	444	256	(188)
2,520	1,966	(554)	16,068	14,645	(1,423)
49,116	35,218	(13,898)	54,780	38,091	(16,689)
136,116	132,159	(3,957)	372,036	370,347	(1,689)
0	0	0	4,596	4,596	0
0	0	0	67,392	55,859	(11,533)
	37,530	37,530	142,644	135,789	(6,855)
122,640	66,312	(56,328)	139,140	83,907	(55,233)
0	0	0	19,980	17,416	(2,564)
122,640	103,842	(18,798)	373,752	297,567	(76,185)
13,476	28,317	14,841	(1,716)	72,780	74,496
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
13,476	28,317	14,841	(1,716)	72,780	74,496
0	0	0	1,913	1,913	0
348,526	348,526	0	813,534	813,534	0
<u>\$362,002</u>	<u>\$376,843</u>	<u>\$14,841</u>	<u>\$813,731</u>	<u>\$888,227</u>	<u>\$74,496</u>

Village of Burr Oak - St. Joseph County  
Combined Statement of Revenues, Expenses, and Changes in Retained Earnings  
Proprietary Fund Types  
For the Year Ended March 31, 2005

	Proprietary Fund Types		Total (Memorandum Only)
	Water	Sewer	Reporting Entity
Operating Revenues			
Interest Income	\$2,410	\$5,756	\$8,166
Charges for Services	73,396	145,734	219,130
Total Operating Revenues	75,806	151,490	227,296
Operating Expenses			
Administration	8,110	8,110	16,220
Salaries and wages	11,655	11,164	22,819
Fringe benefits	1,501	3,788	5,289
Contractual services	0	111,214	111,214
Miscellaneous	24,455	36,810	61,265
Depreciation	0	212,783	212,783
Total Operating Expenses	45,721	383,869	429,590
Operating Income	30,085	(232,379)	(202,294)
Nonoperating Revenues			
Interest Expense	0	37,564	37,564
Net Income	30,085	(269,943)	(239,858)
Retained Earnings/Fund Balance-Beginning of Year	148,491	(2,214,170)	(2,065,679)
Retained Earnings/Fund Balance - End of the Year	<u>\$178,576</u>	<u>(\$2,484,113)</u>	<u>(\$2,305,537)</u>

The Notes to the Financial Statements are an integral part of this statement.

Village of Burr Oak - St. Joseph County  
Combined Statement of Cash Flows - - All Proprietary Fund Types  
Increase (Decrease) in Cash and Cash Equivalents  
For the Year Ended March 31, 2005

	Proprietary Fund Types		Total (Memorandum Only)
	Water	Sewer	Reporting Entity
Cash Flows From Operating Activities			
Cash Charges for Services	\$71,643	\$150,132	\$221,775
Cash Payments to Employees for Services and Cash Payments to Suppliers for Goods and Services	(43,841)	(217,774)	0 (261,615)
Net Cash Provided by Operating Activities	27,802	(67,642)	(39,840)
Cash Flows From Noncapital Financing Activities			
Transfers In	129,835	137,393	267,228
Transfers (Out)	0	0	0
Net Cash Provided by Noncapital Financing Activities	129,835	137,393	267,228
Cash Flows From Capital and Related Financing Activities			
Payment of Principal - Expense	(138,720)	(11,000)	(149,720)
Net Cash Provided by Capital and Related Financing Activities	(138,720)	(11,000)	(149,720)
Cash Flows From Investing Activities			
Interest on Cash Equivalents	2,410	5,756	8,166
Net Cash Provided by Investing Activities	2,410	5,756	8,166
Net Increase in Cash and Cash Equivalents	21,327	64,507	85,834
Cash and Cash Equivalents at Beginning of the Year	140,389	306,334	446,723
Cash and Cash Equivalents at End of the Year	\$161,716	\$370,841	\$532,557

Combined Statement of Cash Flows -- All Proprietary Fund Types  
Increase (Decrease) in Cash and Cash Equivalents (Continued)

	Water	Sewer	Total (Memorandum Only)
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating Income (Loss)	\$30,085	(\$269,943)	(\$239,858)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Depreciation		212,783	212,783
Decrease (Increase) in Accounts Receivable	(664)	(1,358)	(2,022)
Decrease (Increase) in Prepaid Expenses	(81)		(81)
Decrease (Increase) in Nonoperating Income	(2,410)		(2,410)
Increase (Decrease) in Accounts Payable		(3,368)	(3,368)
Increase (Decrease) in Other Accrued Expense	872		872
Increase (Decrease) in Nonoperating Income		(5,756)	(5,756)
Net Cash Provided by Operating Activities	<u>\$27,802</u>	<u>(\$67,642)</u>	<u>(\$39,840)</u>

VILLAGE OF BURR OAK, ST. JOSEPH COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED MARCH 31, 2005

**SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES**

The Village of Burr Oak is located in St. Joseph County and provides services in many areas including public safety, highways and streets, general administrative services, and community enrichment.

PRINCIPLES USED IN DETERMINING THE SCOPE OF ENTITY FOR FINANCIAL REPORTING PURPOSES

REPORTING ENTITY

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board Statement #14 "The Financial Reporting Entity". The Village of Burr Oak, Michigan operates under a council form of government. The accompanying financial statements present the Village's primary government and component units (none) over which the Village exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationship with the Village of Burr Oak.

The major operations of the Village include water, sewer, fire protection, street department, and general administrative services.

Criteria - primary vs. component unit (none)  
Oversight Responsibilities

- A. Financial interdependency - responsibility for financial deficits or entitlement to surpluses
- B. Selection of governing authority
- C. Designation of management
- D. Ability to significantly influence operations
- E. Accountability for fiscal matter

BASIS OF PRESENTATION

FUND ACCOUNTING

The accounts of the Village of Burr Oak are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. Each fund is accounted for by a separate set of self-balancing accounts that comprises its assets, liabilities, fund balance, revenues, and expenditures/expenses. The individual funds account for the governmental resources allocated to them for the purpose of carrying on specific activities in accordance with laws, regulations, or other restrictions.

VILLAGE OF BURR OAK, ST. JOSEPH COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED MARCH 31, 2005

**SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONT.)**

The funds are grouped into two fund types and eight generic funds as described below:

GOVERNMENTAL FUND TYPES

These are the funds through which most governmental functions typically are financed. The funds included in this category are as follows:

General Fund - This fund is established to account for resources devoted to financing the general services that the Village performs for its citizens. General tax revenues and other sources of revenue used to finance the fundamental operations of the Village are included in this fund. This fund is charged with all costs of operating the government for which a separate fund has not been established.

Special Revenue Funds - The Village of Burr Oak has four Special Revenue Funds, the Major Street Fund, the Local Street Fund, the Municipal Street Fund, and the Fire Fund. These funds are established to account for the proceeds of specific revenue sources other than special assessments, expendable trust, or major capital projects that are legally restricted to expenditures for specified purposes.

PROPRIETARY FUND TYPES

These funds account for operations that are self-supporting through user charges. The funds included in this category are Enterprise Funds.

Enterprise Funds - The Village of Burr Oak has two enterprise funds, the Water Fund and the Sewer Fund. These funds are established to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that the costs of provided goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

GENERAL FIXED ASSETS ACCOUNT GROUP

This is not a fund but rather an account group that is used to account for general fixed assets acquired principally for general purposes and excludes fixed assets in the Enterprise Funds.

BASIS OF ACCOUNTING

Governmental funds utilize the modified accrual basis of accounting. Under this method, revenues are recognized in the accounting period in which they become both available and measurable. Licenses and permits, charges for services, fines and forfeits, and miscellaneous revenues are recorded as revenues when received in cash. General property taxes, self-assessed taxes, and investment earnings are recorded when earned (when they are both measurable and available), within sixty days.

Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except expenditures for debt service, prepaid expenses, and other long-term obligations which are recognized when paid.



VILLAGE OF BURR OAK, ST. JOSEPH COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED MARCH 31, 2005

**SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONT.)**

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred. Interest on revenue bonds, proceeds of which are used in financing the construction of certain assets, is capitalized during the construction period net of interest on the investment of unexpended bond proceeds.

**BUDETARY DATA**

Formal budgetary accounting is employed as a management control for all funds of the Village. Annual operating budgets are adopted each fiscal year through passage of an annual budget ordinance and amended as required for the General Fund, Special Revenue Funds, and Proprietary Funds and the same basis of accounting is used to reflect actual revenues and expenditures/expenses recognized on a generally accepted accounting principles basis.

All unencumbered budget appropriations lapse at the end of each fiscal year, council adopted fiscal year 3/05 budget in 3/04.

Village Board amended various budget items from originally adopted amounts, approved in minutes of the meetings. Budgeted data is in total, not a line item basis, under this method certain line items may exceed budgeted amount but not in total.

**ASSETS, LIABILITIES, AND FUND EQUITY**

Cash - Some funds have established their own checking accounts. To facilitate better management of the Village's cash resources, some cash is combined in pooled operating accounts. Each fund's portion of total cash is based on its equity in the pooled cash amount.

Property, Plant and Equipment - Fixed assets used in governmental fund type operations are accounted for in the General Fixed Assets Account Group. Public domain (infrastructure) fixed assets consisting of certain improvements other than buildings, such as roads, sidewalks, and bridges are not capitalized. Property, plant, and equipment acquired or constructed for general governmental operations are recorded as expenditures in the fund making the expenditures and capitalized at cost in the General Fixed Assets Account Group. Property, plant, and equipment acquired for proprietary funds is capitalized in the respective funds to which it applies. Property, plant, and equipment is stated at cost. Where cost could not be determined from the available records, estimated historical cost was used to record the estimated value of the assets. Assets acquired by gift or bequest are recorded at their fair market value at the date of transfer.

VILLAGE OF BURR OAK, ST. JOSEPH COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED MARCH 31, 2005

**SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONT.)**

Depreciation is recorded over the useful life of asset -

Sewer Fund	10 - 40 years
------------	---------------

Depreciation of exhaustible fixed assets used by proprietary funds is charged as an expense against operations, and accumulated depreciation is reported on proprietary funds' balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method of depreciation.

Fund equity - The unreserved fund balance for governmental funds represents the amount available for budgeting future operations.

REVENUE RECOGNITION

Property tax revenue recognition - The local unit property tax is levied on each July 1 on the state equalized valuation of property located in the Village of Burr Oak as of the preceding December 31. These amounts are recognized in the respective general fund and special revenue fund financial statements as taxes receivables or current tax collection.

TOTAL COLUMN ON COMBINED STATEMENTS -- OVERVIEW

The total columns on the combined statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operations or changes in financial position, in conformity with generally accepted accounting principles, also is not data comparable to a consolidation because interfund eliminations have not been made in the aggregation of this data.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

VILLAGE OF BURR OAK, ST. JOSEPH COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED MARCH 31, 2005

SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONT.)

CASH AND CASH EQUIVALENTS

Deposits are carried at cost. Deposits of the Village are at one bank in the name Village of Burr Oak. Michigan Compiled Laws (MCL), Sections 129.91, authorizes a local unit to deposit and invest in the accounts of Federally insured banks, credit unions and savings and loan associations; bonds, securities, and other obligations of the United States, or an agency or instrumentality of the United States in which principal and interest is fully guaranteed by the United States, including securities issued or guaranteed by the Government National Mortgage Association; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan; and commercial paper rated by two standard rating agencies within the three highest classifications, which matures not more than 270 days after the date of purchase, and which involves no more than 50 percent of any one fund. Michigan Law prohibits security in the form of collateral, security bonds, or other forms for the deposit of public money.

Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan.

The Governmental Accounting Standards Board (GASB) Statement No. 3, risk disclosures for the Village's cash deposits are as follows:

	<u>Primary Government</u>
<u>Deposits</u>	<u>Carrying Amount</u>
Insured (FDIC)	\$100,000
Uninsured	<u>867,600</u>
Total Deposits	<u>\$967,600</u>

All investments(money market accounts) with maturates of 90 days or less are considered a cash equivalent.

VILLAGE OF BURR OAK, ST. JOSEPH COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED MARCH 31, 2005

**FIXED ASSETS**

A summary of changes in general fixed assets follows:

	<u>Balance 4/1/04</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/05</u>
Land	\$25,008	\$0	\$0	\$25,008
Buildings	103,267	0	0	103,267
Improvements other than Buildings				
Equipment	461,542	40,342	0	501,884
Total	<u>\$589,817</u>	<u>\$40,342</u>	<u>\$0</u>	<u>\$630,159</u>

**DEPRECIABLE ASSETS - PROPRIETARY FUND**

	<u>Cost</u>	<u>Acc. Deprec.</u>	<u>Undeprec. Cost</u>
Sewer Fund	\$3,545,795	\$2,681,579	\$864,216
Water Fund	127,660	127,660	0
	<u>\$3,673,455</u>	<u>\$2,809,239</u>	<u>\$864,216</u>

Current year depreciation changes were \$212,783.

**BONDS PAYABLE - NOTES PAYABLE**

**BOND INDENTURE**

Farmers Home Administration - Sewer fund is covered by a bond debt for infrastructure and equipment, current balance as of March 31, 2005 is \$710,000, \$11,000 is due within one year plus interest semi annually on March 1 and September 1. Original balance was \$797,000.

Village of Burr Oak - St. Joseph County  
Sewer Fund  
Statement of Bonded Indebtedness  
For the Year Ended March 31, 2005

ISSUE DATE SEPTEMBER 1, 1993 IN THE AMOUNT OF	\$797,000
Less: Bonds paid in prior years	76,000
Bonds due and paid on September 1, 2004	<u>11,000</u>
Balance outstanding - March 31, 2005	<u><u>\$710,000</u></u>

Bonds payable as follows:

<u>Year</u>	<u>Principal</u>	<u>Year</u>	<u>Principal</u>
2005	11,000	2019	23,000
2006	12,000	2020	24,000
2007	12,000	2021	25,000
2008	13,000	2022	27,000
2009	14,000	2023	28,000
2010	14,000	2024	30,000
2011	15,000	2025	31,000
2012	16,000	2026	33,000
2013	17,000	2027	35,000
2014	18,000	2028	36,000
2015	19,000	2029	37,000
2016	20,000	2030	39,000
2017	21,000	2031	39,000
2018	22,000	2032	39,000
		2033	<u>40,000</u>
			<u><u>\$710,000</u></u>

The above Sewer Supply System Revenue Bonds are payable annually on September 1, with interest at 5.25% payable March 1 and September 1.

Principal of this bond is subject to prepayment prior to maturity, in inverse chronological order, at the issuer's option, on any interest payment date on or after September 1, 2004, accrued interest to the date fixed for prepayment.

The sewer fund's resources are the source of funds to repay the long-term debt of the bonds.

VILLAGE OF BURR OAK, ST. JOSEPH COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED MARCH 31, 2005

**SEGMENT INFORMATION FOR PROPRIETARY FUNDS**

Village operates a municipal water department and a sewer operation also.

Water department bills local businesses and residences on a monthly basis, depreciation is on a straight line basis of 10 to 40 years depending on type of asset. The Village has operational sewer infrastructure, they do not have a treatment plant, it is piped into Sturgis, Michigan.

The Village maintains two proprietary funds which provide water and sewer services. Segment information for the year ended March 31, 2005 was as follows:

	Water	Sewer	Total Proprietary Funds
Operating Revenues (Deficit)	\$30,085	(\$57,160)	(\$27,075)
Depreciation	0	212,783	212,783
Operating Income (Loss)	30,085	(269,943)	(239,858)
Operating Grants	0	0	0
Operating Transfers			
In	0	0	0
Out	0	0	0
Tax Revenue	0	0	0
Net Income (Loss)	30,085	(269,943)	(239,858)
Current Capital			
Contributions	0	0	0
Transfers	0	0	0
Proprietary, Plant and Equipment			
Additions	0	0	0
Deletions	0	0	0
Net Working Capital	188,946	118,998	307,944
Total Assets	328,346	1,249,745	1,578,091
Bonds and Other Long Term Liabilities	0	710,000	710,000
Payable from Operation Revenues	0	710,000	710,000
Payable From Other Services	0	0	0
Total Equity	<u>\$188,946</u>	<u>\$284,213</u>	<u>\$473,159</u>

VILLAGE OF BURR OAK, ST. JOSEPH COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED MARCH 31, 2005

**INTERFUND RECEIVABLES AND PAYABLES**

Interfund transactions between various governmental, special revenue and proprietary fund types occur during the fiscal year.

Principally, these transactions arise from operating subsidies. Transactions that have not resulted in the actual transfer of cash as of the end of the fiscal year are recorded as amounts due from (fund receivable) and due to (fund liability) other funds. For financial reporting purposes, current amounts are shown in the respective fund balance sheet. At the end of each fiscal year, the amount of interfund receivables is equal to the amount of interfund payables.

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund		
Municipal Street	\$2,111	\$8,823
Sewer	252,093	400
Fire	22,024	0
Water	136,719	0
Local Street	0	1,953
Major Street	0	139,449
Major Street Fund		
General	139,449	0
Local		
Municipal		
Local Street Fund		
General	1,953	0
Major		
Municipal		
Municipal Street Fund		
General	6,712	0
Local		
Major		
Water Fund		
General	1,023	137,742
Sewer Fund		
General		251,693
Fire Fund		
General	14,418	36,442
	<u>\$576,502</u>	<u>\$576,502</u>

VILLAGE OF BURR OAK, ST. JOSEPH COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED MARCH 31, 2005

**POST EMPLOYMENT BENEFITS - No benefits are available**

**DEFINED CONTRIBUTION PLAN**

Effective Date: July 1, 1991, with an anniversary of March 31 of each year.

Eligibility: Any employee or independent contractor, of the village, who earns more than \$100 per calendar year.

Employee/Contractor Contributions: An employee/contractor may enter into the program by agreeing to contribute from 4.03% of their compensation to 25% of their compensation (the maximum shall be reduced by any contribution made by the Village). The employees contribution shall be effective, the first of the month, following such election. The election may be changed, on the first of any month, by filing the appropriate form, with the Village Clerk, prior to the month the effects shall take place.

Village Contribution: The Village will contribute, for each employee that is not covered by the Village's 218 (Social Security) agreement, 3.75% of pay. The effect of the employee's and Village's contribution is to satisfy the required 7 1/2% of total compensation retirement contribution necessary to meet the Social Security OAS & D 'substitute' requirements. Employees who are covered by Social Security will not receive any Village contributions.

Vesting: All Monies contributed by the employee/contractor and Village contributions will be 100% vested at all times.

Funding: All employee and Village contributions (except de minimus amounts) shall be paid into a variable annuity contract, issued by Northwestern Mutual Life Insurance Company. Payments shall be made quarterly providing a minimum of \$25 deposit (employee and Village combined). DeMinimus Amounts: If the total contributions by employee and village are less than \$25 per year, such amounts will be accumulated, at the Village, and paid without interest upon the employees payment commencement date.

Payment Commencement Date: The employee may have the annuity contract begin benefit payments upon the later of the following:

1. separation of employment (or contractual agreement) with the Village
2. retirement (no later than age 70)
3. death
4. unforeseen financial emergency

Methods of Payments: The employee or beneficiary may elect any of the following distribution payments:

1. equal payments for life
2. equal payments for a specified period of time (5 years, 10 years, etc.)
3. equal payments over the employee's life and the life of a spouse or contingent annuitant.
4. lump-sum (if monies are withdrawn before eight years or not on account of the death of the employee/contractor a reducing surrender charge will be made)

**DEFICIT FUND BALANCE OR RETAINED EARNINGS OF INDIVIDUAL FUNDS**

Sewer Fund	(\$2,484,113)
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VILLAGE OF BURR OAK, ST. JOSEPH COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED MARCH 31, 2005

**RISK MANAGEMENT**

The Village is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries. The Village has participated in the Michigan Participating Plan since January 1, 1987. The plan covers general liability, non-owned/hired automobile liability, errors and omissions, property damage, and inland marine. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past 3 fiscal years.

The MTTP was created pursuant to the authority of a) Article 7, section 28, Michigan Constitution of 1963; b) Section 1 Chapter 124, Michigan Compiled Laws (PA No. 35, 1951, as amended by PA No. 138, 1982). The Village voted unanimously to enter into this cooperative action agreement October 2, 1986 and have continued their membership since.

**Michigan Village Participating Plan Description**

The Michigan Participating Plan was established April 1, 1985, pursuant to laws of the State of Michigan which authorize local units of government to exercise jointly any power, privilege or authority which each might exercise separately. The purpose of the plan is to jointly exercise powers common to each participating member; to establish and administer a risk management program; to prevent or lessen the incidence and severity of casualty losses occurring in the operation of its members; and to defend and protect, in accordance with this agreement, any member of the authority against liability or loss. The powers and duties created hereunder and the described activities of the plan are not intended to constitute the issuance of a policy of insurance. The members intend, in the creation of the plan, to establish an organization for joint risk management and have not created as between member and member any relationship for the debts of or claims against any member.

The MTTP, while it operates under the Michigan Legislation of PA 138, does not operate as a risk pool due to a total transfer of risk to reinsurance companies backing the Participating Plan. Due to this reinsurance purchase, there is no pooling of risk between members. The plan has protected itself in the event of reinsurance becomes uncollectible by purchasing reinsurance treaties for uncollectible reinsurer. The Participating Plan chose to adopt the forms and endorsements of conventional insurance protection and to reinsure these coverages 100 percent, rather than utilize a risk pool of member funds to pay individual and collective losses up to a given retention, and then have reinsurance above that retention amount.

VILLAGE OF BURR OAK, ST. JOSEPH COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED MARCH 31, 2005

The Plan entered into a similar agreement with American Commercial Liability Insurance Company.

Based on actuarial study performed by William M. Mercer, Inc., the MTTP had the following open case reserves and IBNR reserves at June 30, 1996 under these commutation agreements:

<u>Case Loss Reserves</u>	<u>IBNR Reserves</u>	<u>Total Reserves</u>
\$313,550	\$31,252	\$344,802

At June 30, 1996, the Plan has reinsurance limits in the amount of \$693,119 to cover the reserves.

The Plan has continued to use the services of Integrated Runoff Insurance Services Corporation (IRISC) to assist in formalizing loss reserve standards and in settling loss and loss adjustment expense reserves. IRISC has maintained its philosophy that the potential for governmental immunity should be ignored when setting case reserves, even though trends continue to indicate that average cases close for substantially less than the reserve estimates.

**COMMITMENTS AND CONTINGENCIES**

Management of the Village is not aware of any material commitments or contingent liabilities.

**COMPENSATED ABSENCE**

Vacation, sick leave, and other compensated absences - The Village of Burr Oak has no carry over vacation, sick pay, or compensated absences at the end of the current fiscal year. All compensated absences must be used during the fiscal year earned or they are lost.

**GASB 34 REPORTING FINANCIAL**

Village has elected not to convert to GASB 34 format, therefore assets owned by the Village such as building and equipment are not stated at current values as of 03/31/05, also no current charge is being recorded for current year depreciation, other than in the proprietary funds. Accordingly the Management Discussion Analysis Letter, Statement of Net Assets, and Statement of Activities are not included per GASB 34 format.

Village of Burr Oak - St. Joseph County  
General Fund  
Balance Sheet  
March 31, 2005

ASSETS

Cash & cash equivalents	\$207,727
State revenue receivable	18,607
Taxes - miscellaneous receivable	11,016
Due from other funds	412,948
Prepaid insurance	<u>19,053</u>
Total Assets	<u><u>\$669,351</u></u>

LIABILITIES AND FUND BALANCE

Accounts payable	\$2,956
Due to State-Federal taxes	4,386
Due to other funds	<u>150,625</u>
Total Liabilities	157,967
Fund Balance	<u>511,384</u>
Total Liabilities and Fund Balance	<u><u>\$669,351</u></u>

Village of Burr Oak - St. Joseph County  
General Fund  
Statement of Revenues, Expenditures And Changes in Fund Balance Compared to Budget  
For the Year Ended March 31, 2005

	Budget	Actual	Over (Under) Budget
Revenues			
Property tax/county 1 mill	\$109,236	\$115,841	\$6,605
Penalties and interest on taxes	0	0	0
Licenses and permits	4,032	3,804	(228)
State shared revenues	102,996	102,735	(261)
Charges for services	0	0	0
Fines and forfeits	444	256	(188)
Building and equipment rental	9,048	9,000	(48)
Reimbursement of expenses	5,004	0	(5,004)
Interest earned	4,500	3,679	(821)
Miscellaneous	660	2,873	2,213
Total Revenues	235,920	238,188	2,268
Expenditures			
Legislative	4,596	4,596	0
Executive	7,968	9,956	1,988
Elections	1,020	0	(1,020)
Financial administration	18,024	6,900	(11,124)
Other general government	13,044	9,339	(3,705)
Police Department	58,440	31,220	(27,220)
Inspection	516	47	(469)
Highways, streets, bridges	16,500	17,595	1,095
Sanitation/DPW	44,004	42,505	(1,499)
Leaf pick-up	6,684	3,999	(2,685)
Cultural	5,004	3,750	(1,254)
Recreation	14,976	13,666	(1,310)
Contributions to other units	33,000	20,488	(12,512)
Other functions	27,336	29,664	2,328
Total Expenditures	251,112	193,725	(57,387)
Excess of Revenues Over (Under) Expenditures	(15,192)	44,463	59,655
Other Financing Sources (Uses)			
Operating Transfers - In	0	0	0
Operating Transfers - Out	0	0	0
Total Other Financing Sources (Uses)	0	0	0
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(\$15,192)	\$44,463	\$59,655

The Notes to the Financial Statements are an integral part of this statement.

Village of Burr Oak - St. Joseph County  
General Fund  
Statement of Expenditures

	Years Ended March 31,	
	2005	2004
LEGISLATIVE		
Village Council - salaries/miscellaneous	\$4,596	\$4,596
Total Legislative	4,596	4,596
EXECUTIVE		
Village President - salary	996	900
Capital outlay	0	0
Travel/dues/supplies	850	850
Administrative payroll	8,110	6,214
Total Executive	9,956	7,964
ELECTIONS		
Election expense:		
Wages	0	322
Printing and publishing	0	0
Auto expense/postage/miscellaneous	0	599
Board of canvassers	0	0
Total Elections	0	921
FINANCIAL ADMINISTRATION		
General village expenses:		
Postage and freight	0	0
Office supplies	1,457	1,497
Printing and publishing	0	0
Travel/miscellaneous	0	0
Audit/legal	0	0
Professional services	0	0
Telephone	1,294	1,167
Total General Administration	2,751	2,664
Clerk:		
Salary	948	950
Office supplies	0	0
Printing	0	0
Professional/miscellaneous	1,718	(81)
Total Clerk	2,666	869

The Notes to the Financial Statements are an integral part of this statement.

Village of Burr Oak - St. Joseph County  
Statement of General Fund Expenditures - Continued

	Years Ended March 31,	
	2005	2004
FINANCIAL ADMINISTRATION - Continued		
Treasurer:		
Salary	852	850
Postage/telephone/data processing	576	511
Auto expense	31	107
Miscellaneous	24	224
Total Treasurer	1,483	1,692
Total Financial Administration	6,900	5,225
OTHER GENERAL GOVERNMENT		
Village Hall and grounds:		
Salaries	1,241	799
Electricity	793	711
Heat	2,558	2,663
Insurance	60	46
New equipment/improvements	1,108	0
Supplies	108	153
Miscellaneous	1,136	715
Repairs and maintenance	2,335	223
Total Other General Government	9,339	5,310
POLICE DEPARTMENT		
General operating expenses:		
Salaries - wages	16,219	33,390
Supplies	777	501
Repairs and maintenance	59	238
Communications	809	1,504
Auto expenses	3,282	1,488
Insurance and bonds	4,260	3,693
Postage/uniforms/miscellaneous	3,944	8,312
New equipment	0	0
Dues	306	169
Employer's benefits	1,564	3,631
Total Police Department	31,220	52,926

The Notes to the Financial Statements are an integral part of this statement.

Village of Burr Oak - St. Joseph County  
Statement of General Fund Expenditures - Continued

	Years Ended March 31,	
	2005	2004
INSPECTION		
Building - contractual services	0	0
Flood control:		
Salaries	47	228
Supplies	0	0
Total Inspection	47	228
HIGHWAY, STREETS AND BRIDGES		
Street lighting	17,595	15,982
Total Highway, Streets and Bridges	17,595	15,982
SANITATION DEPARTMENT OF PUBLIC WORKS		
Salaries	15,493	12,035
Rental/miscellaneous	5,657	3,773
Supplies/uniforms/gas/repairs	2,135	5,349
Utilities/insurance	10,565	7,230
Capital Outlay	8,655	26,067
Total Sanitation	42,505	54,454
LEAF PICK-UP		
General operating expenses:		
Salaries	2,866	2,746
Supplies	1,133	1,803
Capital Outlay	0	0
Total Mosquito Control - Weed Control	3,999	4,549
CULTURAL		
Contribution to Village of Burr Oak		
Library Board	3,750	6,250
Total Cultural	3,750	6,250
RECREATION		
General operating expenses:		
Salaries	2,300	2,520
Operating supplies - miscellaneous	1,895	2,512
Repairs and maintenance	467	347
Equipment - capital improvements	9,004	3,356
Total Recreation	13,666	8,735

The Notes to the Financial Statements are an integral part of this statement.

Village of Burr Oak - St. Joseph County  
Statement of General Fund Expenditures - Continued

	Years Ended March 31,	
	2005	2004
CONTRIBUTIONS TO OTHER UNITS		
Fire	20,488	19,418
Total Contributions to Other Funds	20,488	19,418
OTHER FUNCTIONS		
General operating expenses:		
Legal	738	3,976
Miscellaneous	7,687	11,472
Data processing/tax roll and statements	650	416
Sidewalks	2,596	0
Employees' hospitalization insurance	2,009	2,258
Audit fees	480	410
Insurance and bonds	6,158	5,429
Promotional	0	0
Social security - Village share	9,346	7,397
Total Other Functions	29,664	31,358
Total General Fund Expenditures	\$193,725	\$217,916



Village of Burr Oak - St. Joseph County  
General Fund  
Statement of Changes in Fund Balance

	Years Ended March 31,	
	2005	2004
BALANCE - BEGINNING	\$465,008	\$458,732
Prior Period Adjustment	1,913	0
Add: Excess of revenues over expenditures	44,463	6,276
BALANCE - ENDING	<u>\$511,384</u>	<u>\$465,008</u>

The Notes to the Financial Statements are an integral part of this statement.

Village of Burr Oak - St. Joseph County  
Combining Balance Sheet - Special Revenue Funds  
March 31, 2005

	Major Street	Local Street	Municipal Street	Fire	Total
<u>ASSETS</u>					
Cash and Interest Bearing Deposits	\$110,654	\$28,734	\$31,554	\$56,374	\$227,316
Accounts Receivable - State	9,592	3,679	0	0	13,271
Accounts Receivable - Taxes	0	0	2,564	2,092	4,656
Other Assets	1,109	409	0	5,389	6,907
Due From Other Funds	139,449	1,953	6,711	14,418	162,531
Total Assets	<u>\$260,804</u>	<u>\$34,775</u>	<u>\$40,829</u>	<u>\$78,273</u>	<u>\$414,681</u>
<u>LIABILITIES AND FUND EQUITY</u>					
Accounts Payable	\$114	\$166	\$195	\$921	\$1,396
Due to Other Funds	0	0	0	36,442	36,442
Total Liabilities	114	166	195	37,363	37,838
Fund Equity					
Fund Balance	260,690	34,609	40,634	40,910	376,843
Total Liabilities and Fund Equity	<u>\$260,804</u>	<u>\$34,775</u>	<u>\$40,829</u>	<u>\$78,273</u>	<u>\$414,681</u>

Village of Burr Oak - St. Joseph County  
Combining Statement of Revenues, Expenditures And Changes In Fund Balance  
All Special Revenue Funds  
For the Year Ended March 31, 2005

	Major Street	Local Street	Municipal Street	Fire	Total
Revenues					
Interest	\$1,628	\$112	\$199	\$27	\$1,966
Property Taxes	0	0	21,298	0	21,298
State Grants	53,156	20,521	0	0	73,677
Other Revenue	0	0	0	35,218	35,218
Total Revenue	54,784	20,633	21,497	35,245	132,159
Expenditures					
Public Works	26,583	20,007	19,722	0	66,312
Public Safety	0	0	0	37,530	37,530
Total Expenditures	26,583	20,007	19,722	37,530	103,842
Excess of Revenues Over (Under) Expenditures	28,201	626	1,775	(2,285)	28,317
Other Financing Sources (Uses)					
Transfers In - General Fund	0	0	0		0
Transfer Out - General Fund	0	0	0	0	0
Total Other Financing Sources (Uses)	0	0	0	0	0
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	28,201	626	1,775	(2,285)	28,317
Fund Balance - Beginning of the Year	232,489	33,983	38,859	43,195	348,526
Fund Balance - End of the Year	<u>\$260,690</u>	<u>\$34,609</u>	<u>\$40,634</u>	<u>\$40,910</u>	<u>\$376,843</u>

Village of Burr Oak - St. Joseph County  
Major Street Fund  
Statement of Revenues, Expenditures And Changes In Fund Balance Compared To Budget  
For the Year Ended March 31, 2005

	<u>Budget</u>	<u>Actual 2005</u>	<u>Over (Under) Budget</u>
Revenues			
State Shared Revenue	\$42,240	\$51,721	\$9,481
Michigan State Building Fund	1,728	1,435	(293)
Miscellaneous - Interest	2,220	1,628	(592)
	<u>46,188</u>	<u>54,784</u>	<u>8,596</u>
Total Revenues			
Expenditures			
Highway, streets and bridges, building and equipment rental	3,600	3,600	0
Administrative salary	2,724	2,724	0
Routine maintenance:			
Salaries	4,524	4,617	93
Operating supplies	2,004	1,028	(976)
Repairs and maintenance	23,112	9,880	(13,232)
Audit, legal, professional	420	424	4
Insurance	2,832	1,912	(920)
Employer's social security taxes	528	332	(196)
Utilities - Misc.	1,716	2,066	350
	<u>41,460</u>	<u>26,583</u>	<u>(14,877)</u>
Total Expenditures			
Excess of Revenues Over (Under) Expenditures	4,728	28,201	23,473
Other Financing Sources (Uses)			
Operating Transfers - Out	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Financing Sources (Uses)			
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$4,728</u>	<u>\$28,201</u>	<u>\$23,473</u>

Village of Burr Oak - St. Joseph County  
Major Street Fund  
Statement of Changes in Fund Balance

	Years Ended March 31,	
	<u>2005</u>	<u>2004</u>
BALANCE - BEGINNING	\$232,489	\$212,587
Add: Excess (deficiency) of revenues over over expenditures	<u>28,201</u>	<u>19,902</u>
BALANCE - ENDING	<u><u>\$260,690</u></u>	<u><u>\$232,489</u></u>

Village of Burr Oak - St. Joseph County  
Local Street Fund  
Statement of Revenues, Expenditures And Changes in Fund Balance Compared to Budget  
For the Year Ended March 31, 2005

	<u>Budget</u>	<u>Actual 2005</u>	<u>Over (Under) Budget</u>
Revenues			
Michigan State Funds	\$648	\$821	\$173
State Shared Revenue	21,900	19,700	(2,200)
Interest	300	112	(188)
Total Revenues	22,848	20,633	(2,215)
Expenditures			
Highway, streets and bridges, building and equipment rental	2,700	2,700	0
Administrative salary	2,244	2,514	270
Routine maintenance:			
Salaries and wages	3,804	3,636	(168)
Operating supplies	1,080	762	(318)
Repairs and maintenance	7,524	6,570	(954)
Audit, legal, professional	420	480	60
Insurance	1,476	1,516	40
Employer's social security taxes	504	470	(34)
Advertising/utilities/miscellaneous	1,176	1,359	183
Total Expenditures	20,928	20,007	(921)
Excess of Revenues Over (Under) Expenditures	1,920	626	(1,294)
Other Financing Sources (Uses)			
Operating Transfers - In	0	0	0
Total Other Financing Sources (Uses)	0	0	0
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$1,920</u>	<u>\$626</u>	<u>(\$1,294)</u>

Village of Burr Oak - St. Joseph County  
Local Street Fund  
Statement of Changes in Fund Balance

	Years Ended March 31,	
	<u>2005</u>	<u>2004</u>
BALANCE - BEGINNING	\$33,983	\$32,554
Add: Excess (deficiency) of revenues over (under) expenditures	<u>626</u>	<u>1,429</u>
BALANCE - ENDING	<u>\$34,609</u>	<u>\$33,983</u>

Village of Burr Oak - St. Joseph County  
Municipal Street Fund  
Statement of Revenues, Expenditures And Changes in Fund Balance Compared to Budget  
For the Year Ended March 31, 2005

	<u>Budget</u>	<u>Actual 2005</u>	<u>Over (Under) Budget</u>
Revenues			
Property Taxes	\$17,964	\$21,298	\$3,334
Interest and Penalties	300	199	(101)
Sidewalk Construction	0	0	0
Reimbursements	0	0	0
Total Revenues	<u>18,264</u>	<u>21,497</u>	<u>3,233</u>
Expenditures			
Insurance	684	1,034	350
Salaries and wages	6,060	6,349	289
Equipment rental & supplies	3,780	9,205	5,425
Audit and legal fees	420	480	60
Employer's social security taxes - miscellaneous	5,400	2,654	(2,746)
Total Expenditures	<u>16,344</u>	<u>19,722</u>	<u>3,378</u>
Excess of Revenues Over (Under) Expenditures	1,920	1,775	(145)
Other Financing Sources (Uses) Operating Transfers - Out	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$1,920</u>	<u>\$1,775</u>	<u>(\$145)</u>



Village of Burr Oak - St. Joseph County  
Municipal Street Fund  
Statement of Changes in Fund Balance

	Years Ended March 31,	
	<u>2005</u>	<u>2004</u>
BALANCE - BEGINNING	\$38,859	\$36,870
Add: Excess (deficiency) of revenues over (under) expenditures	<u>1,775</u>	<u>1,989</u>
BALANCE - ENDING	<u><u>\$40,634</u></u>	<u><u>\$38,859</u></u>

Village of Burr Oak - St. Joseph County  
Fire Fund  
Statement of Revenues, Expenditures And Changes in Fund Balance Compared to Budget  
For the Year Ended March 31, 2005

	<u>Budget</u>	<u>Actual 2005</u>	<u>Over (Under) Budget</u>
Revenues			
Charges for Services	\$3,972	\$250	(\$3,722)
Contributions - Township & Village	39,840	34,968	(4,872)
Interest Earned - Deposits	0	27	27
Fire Truck	5,004	0	(5,004)
Total Revenues	48,816	35,245	(13,571)
Expenditures			
Administration	3,900	3,529	(371)
Fire Department	36,900	27,166	(9,734)
Station and building	3,108	2,468	(640)
New equipment	0	4,367	4,367
Total Expenditures	43,908	37,530	(6,378)
Excess of Revenues Over (Under) Expenditures	4,908	(2,285)	(7,193)
Other Financing Sources (Uses)			
Operating Transfers - In	0	0	0
Total Other Financing Sources (Uses)	0	0	0
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$4,908</u>	<u>(\$2,285)</u>	<u>(\$7,193)</u>

Village of Burr Oak - St. Joseph County  
Fire Fund  
Statement of Changes in Fund Balance

	Years Ended March 31,	
	2005	2004
BALANCE - BEGINNING	\$43,195	\$37,693
Add: Excess (deficiency) of revenues over (under) expenditures	<u>(2,285)</u>	<u>5,502</u>
BALANCE - ENDING	<u><u>\$40,910</u></u>	<u><u>\$43,195</u></u>

Village of Burr Oak - St. Joseph County  
Fire Fund  
Statement of Expenditures

	Years Ended March 31,	
	2005	2004
ADMINISTRATION		
Salary - chief and assistant	\$3,219	\$4,094
Board meetings	310	160
Total Administration	3,529	4,254
FIRE DEPARTMENT		
Salaries and wages	10,148	9,102
Audit/legal fees	1,000	1,000
Gas, oil, parking, truck	7,838	1,717
Insurance	4,855	4,267
Miscellaneous and supplies	3,325	7,067
Total Fire Department	27,166	23,153
STATION AND BUILDING		
Heat and electricity	2,468	1,797
Repairs and maintenance	0	0
Total Station and Building	2,468	1,797
NEW EQUIPMENT	4,367	900
Total Expenditures	<u>\$37,530</u>	<u>\$30,104</u>

Village of Burr Oak - St. Joseph County  
Water Supply System  
Balance Sheet  
March 31, 2005

ASSETS

CURRENT ASSETS

Cash Balances:

Operating and Maintenance	\$161,716
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Due From Bond Project	158,374
Prepaid Insurance	818
Water Billings Receivable	4,712
Tax Receivable	1,703
Due To Other Funds	<u>1,023</u>

Total Current Assets	166,630
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FIXED ASSETS

At cost of \$127,660, net of accumulated depreciation of \$127,660	<u>0</u>
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Total Assets	<u><u>\$328,346</u></u>
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The Notes to the Financial Statements are an integral part of this statement.

LIABILITIES, RESERVES, CONTRIBUTIONS AND RETAINED EARNINGS

CURRENT LIABILITIES

Accounts Payable	\$1,658
Due to Other Funds	<u>137,742</u>
Total Liabilities	139,400

CONTRIBUTIONS - Municipality	10,370
------------------------------	--------

RETAINED EARNINGS	<u>178,576</u>
Total Contributions and Retained Earnings	188,946

Total Liabilities, Reserves, Contributions and Retained Earnings	<u><u>\$328,346</u></u>
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Village of Burr Oak - St. Joseph County  
Water Supply System  
Statement of Revenues and Expenses  
For the Year Ended March 31, 2005

REVENUES

Water Billings	\$73,396
Interest on Investments	<u>2,410</u>
Total Revenues	75,806

OTHER EXPENSES

Maintenance salaries	11,655
Village Officer Salaries	8,110
Payroll taxes - benefits	1,501
Office supplies and postage	2,266
Operating supplies	6,906
Repairs and maintenance	5,101
Professional fees	0
Telephone, advertising and insurance	3,051
Utilities	2,589
Miscellaneous	<u>4,542</u>
Total Operating Expenses Before Depreciation	<u>45,721</u>

NET OPERATING INCOME (LOSS) BEFORE DEPRECIATION	30,085
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Less: Depreciation	<u>0</u>
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NET OPERATING INCOME (LOSS)	30,085
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Less non-operating expenses:

Appropriated to General Fund	<u>0</u>
------------------------------	----------

NET EARNINGS (LOSS)	<u><u>\$30,085</u></u>
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Village of Burr Oak - St. Joseph County  
Water Supply System  
Statement of Changes in Retained Earnings  
For the Year Ended March 31, 2005

RETAINED EARNINGS - BEGINNING	\$148,491
Additions:	
Net (loss) Earnings - Current Year	<u>30,085</u>
RETAINED EARNINGS - ENDING	<u><u>\$178,576</u></u>



Village of Burr Oak - St. Joseph County  
Water Fund  
Statement of Cash Flows  
For the Year Ended March 31, 2005

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from customers	\$71,643
Cash payments to suppliers for goods and services	(24,076)
Cash payments to employees for services	<u>(19,765)</u>
Net cash provided (used) by operating activities	27,802

CASH FLOWS FROM (TO) NONCAPITAL FINANCING ACTIVITIES:

Payments from (to) other funds	129,835
Payments to bond project	<u>(138,720)</u>
Net cash provided (used) by noncapital financing activities	(8,885)

CASH FLOWS FROM INVESTING ACTIVITIES

Interest on investments	<u>2,410</u>
Net cash provided (used) by investing activities	<u>2,410</u>
Net (decrease) in cash and cash equivalents	21,327
Cash and cash equivalents at beginning of year	<u>140,389</u>
Cash and cash equivalents at end of year	<u><u>\$161,716</u></u>

The Notes to the Financial Statements are an integral part of this statement.

Village of Burr Oak - St. Joseph County  
Water Fund  
Reconciliation of Net Income to Net Cash Flows From Operating Activities  
For the Year Ended March 31, 2005

Net Income	\$30,085
Adjustments to reconcile net income to net cash provided by operating activities:	
Change in receivables	(664)
Change in accrued expenses	872
Change in prepaid expense	(81)
Nonoperating income	<u>(2,410)</u>
Net cash provided (used) by operating activities	<u><u>\$27,802</u></u>

SUPPLEMENTAL DISCLOSURES

Noncash Investing, Capital and Financing Transactions:

Currently no noncash investing and financing transactions exist.

Village of Burr Oak - St. Joseph County  
Water Supply System  
Statement of Earnings Compared to Budget  
For the Year Ended March 31, 2005

	<u>Budget</u>	<u>Actual 2005</u>	<u>Over (Under) Budget</u>
Revenues			
Water billings	\$65,904	\$73,396	\$7,492
Interest on investments	<u>1,200</u>	<u>2,410</u>	<u>1,210</u>
Total Revenues	67,104	75,806	8,702
Operating Expenses			
Maintenance salaries	9,192	11,655	2,463
Village officer salary	8,172	8,110	(62)
Payroll taxes	1,500	1,501	1
Office supplies and postage	900	2,266	1,366
Operating supplies	12,696	6,906	(5,790)
Repairs and maintenance	3,000	5,101	2,101
Professional fees	17,520	0	(17,520)
Telephone, advertising and insurance	2,364	3,051	687
Utilities	2,508	2,589	81
Miscellaneous	<u>5,100</u>	<u>4,542</u>	<u>(558)</u>
Total Operating Expenses Before Depreciation	<u>62,952</u>	<u>45,721</u>	<u>(17,231)</u>
NET OPERATING INCOME (LOSS) BEFORE DEPRECIATION	4,152	30,085	25,933
Less Depreciation	<u>0</u>	<u>0</u>	<u>0</u>
NET OPERATING INCOME (LOSS)	4,152	30,085	25,933
Less non-operating expenses:			
Appropriated to General Fund	<u>0</u>	<u>0</u>	<u>0</u>
NET EARNINGS (LOSS)	<u>\$4,152</u>	<u>\$30,085</u>	<u>\$25,933</u>

The Notes to the Financial Statements are an integral part of this statement.

Village of Burr Oak - St. Joseph County  
Sewer Fund  
Balance Sheet  
March 31, 2005

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$370,841
Accounts receivable - customers	10,689
Prepaid insurance	<u>4,000</u>

Total Current Assets 385,530

FIXED ASSETS

At cost of \$3,545,795, net of accumulated depreciation of \$2,681,580 864,215

Total Assets \$1,249,745

LIABILITIES

CURRENT LIABILITIES

Accounts payable - interest payable	\$3,839
Bonds payable - FHA	11,000
Due to other funds	<u>251,693</u>

Total Current Liabilities 266,532

NON-CURRENT LIABILITIES

Bonds payable - FHA 699,000

Total Liabilities 965,532

EQUITY

Contributed capital	2,768,326
Retained earnings (Deficit)	<u>(2,484,113)</u>

Total Equity 284,213

Total Liabilities and Equity \$1,249,745

The Notes to the Financial Statements are an integral part of this statement.

Village of Burr Oak - St. Joseph County  
Sewer Fund  
Statement of Revenues and Expenses  
For the Year Ended March 31, 2005

REVENUES

Interest	\$5,756
Sales	145,734
	<hr/>
Total Revenues	151,490

OPERATING EXPENSES

Maintenance wages	11,164
Administrative salaries	8,110
Payroll taxes - benefits	3,788
Supplies and postage	342
Interest	37,564
Repairs and maintenance	15,563
Professional fees	51,720
Telephone/insurance	6,422
Utilities/treatment	59,494
Miscellaneous-Capital outlay	14,483
	<hr/>
Total Operating Expenses Before Depreciation	208,650

NET OPERATING INCOME (LOSS) BEFORE  
DEPRECIATION

(57,160)

Less: Depreciation

(212,783)

NET OPERATING INCOME (LOSS)

(269,943)

Less non-operating expenses:

Appropriated to General Fund

0

NET EARNINGS (LOSS)

(\$269,943)

Village of Burr Oak - St. Joseph County  
Sewer Fund  
Statement of Changes in Retained Earnings  
March 31, 2005

RETAINED EARNINGS - April 1, 2004	(\$2,214,170)
Current Net Income (Loss)	<u>(269,943)</u>
RETAINED EARNINGS - March 31, 2005	<u><u>(\$2,484,113)</u></u>

Village of Burr Oak - St. Joseph County  
Sewer Fund  
Statement of Cash Flows  
For the Year Ended March 31, 2005

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from customers	\$150,132
Cash payments for goods and services	(198,500)
Cash payments to employees for services	<u>(19,274)</u>
Net cash provided (used) by operating activities	(67,642)

CASH FLOWS FROM (TO) CAPITAL AND RELATED FINANCING ACTIVITIES:

Net payments from (to) other funds	137,393
Payment - bonds	<u>(11,000)</u>
Net cash provided (used) by capital and related financing activities	126,393

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest earned	<u>5,756</u>
Net cash provided (used) by investing activities	<u>5,756</u>
Net increase (decrease) in cash and cash equivalents	64,507
Cash and cash equivalents at beginning of year	<u>306,334</u>
Cash and cash equivalents at end of year	<u><u>\$370,841</u></u>

Village of Burr Oak - St. Joseph County  
Sewer Fund  
Reconciliation of Net Income to Net Cash Flows From Operating Activities  
For the Year Ended March 31, 2005

Net Income (Loss)	(\$269,943)
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	212,783
Change in accounts payable/accrued expenses	(3,368)
Nonoperating income	(5,756)
Change in accounts receivable	<u>(1,358)</u>
Net cash provided (used) by operating activities	<u><u>(\$67,642)</u></u>

SUPPLEMENTAL DISCLOSURES

Noncash Investing, Capital and Financing Transactions:

Currently no noncash investing and financing transactions exist.



Village of Burr Oak - St. Joseph County  
Sewer Fund  
Statement of Bonded Indebtedness  
For the Year Ended March 31, 2005

JE DATE SEPTEMBER 1, 1993 IN THE AMOUNT OF	\$797,000
Less: Bonds paid in prior years	76,000
Bonds due and paid on September 1, 2004	<u>11,000</u>
Balance outstanding - March 31, 2005	<u><u>\$710,000</u></u>

Bonds payable as follows:

Year	Principal	Year	Principal
2005	11,000	2019	23,000
2006	12,000	2020	24,000
2007	12,000	2021	25,000
2008	13,000	2022	27,000
2009	14,000	2023	28,000
2010	14,000	2024	30,000
2011	15,000	2025	31,000
2012	16,000	2026	33,000
2013	17,000	2027	35,000
2014	18,000	2028	36,000
2015	19,000	2029	37,000
2016	20,000	2030	39,000
2017	21,000	2031	39,000
2018	22,000	2032	39,000
		2033	<u>40,000</u>
			<u><u>\$710,000</u></u>

The above Sewer Supply System Revenue Bonds are payable annually on September 1, with interest at 5.25% payable March 1 and September 1.

Principal of this bond is subject to prepayment prior to maturity, in inverse chronological order, at the issuer's option, on any interest payment date on or after September 1, 2004, accrued interest to the date fixed for prepayment.

Village of Burr Oak - St. Joseph County  
Sewer Fund  
Statement of Earnings Compared to Budget  
For the Year Ended March 31, 2005

	Budget	Actual 2005	Over (Under) Budget
Revenues			
Sewer lead in/miscellaneous	\$0	\$0	\$0
Interest	6,000	5,756	(244)
Sales	145,800	145,734	(66)
Total Revenues	151,800	151,490	(310)
Operating Expenses			
Maintenance wages	9,624	11,164	1,540
Administrative salaries	8,172	8,110	(62)
Payroll taxes - benefits	2,988	3,788	800
Supplies and postage	804	342	(462)
Interest	38,300	37,564	(736)
Repairs and maintenance	8,196	15,563	7,367
Professional fees	4,800	51,720	46,920
Telephone/insurance	16,740	6,422	(10,318)
Utilities/treatment	46,400	59,494	13,094
Miscellaneous - Capital outlay	14,861	14,483	(378)
Total Operating Expenses Before Depreciation	150,885	208,650	57,765
NET OPERATING INCOME (LOSS) BEFORE DEPRECIATION	915	(57,160)	(58,075)
Less Depreciation	(212,783)	(212,783)	0
NET OPERATING INCOME (LOSS)	(211,868)	(269,943)	(58,075)
Less non-operating expenses:			
Appropriated to General Fund	0	0	0
NET EARNINGS (LOSS)	(\$211,868)	(\$269,943)	(\$58,075)

The Notes to the Financial Statements are an integral part of this statement.

Village of Burr Oak - St. Joseph County

General Fixed Assets Account Group

	Years Ended March 31,	
	2005	2004
ASSETS		
Land	\$16,800	\$16,800
Land improvements	8,208	8,208
Buildings and accessories	103,267	103,267
Machinery and equipment	501,884	461,542
Total Assets	<u>\$630,159</u>	<u>\$589,817</u>

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Village of Burr Oak Board  
Burr Oak, Michigan

We have audited the general purpose financial statements of the Village of Burr Oak, as of and for the year ended March 31, 2005, and have issued our report thereon dated August 29, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance


As part of obtaining reasonable assurance about whether the Village of Burr Oak's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contract and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Burr Oak's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a

relatively low level risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization, Village Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



DAVID F. LOCEY, C.P.A., P.C.

Sturgis, Michigan  
August 29, 2005

**David F. Locey, CPA, PC**

P.O. Box 7037  
67036 N. M-66  
Sturgis, MI 49091

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**COMMENTS AND RECOMMENDATIONS**

To the Village of Burr Oak  
Burr Oak, Michigan

We appreciated the opportunity of examining the records for the Village of Burr Oak for the year ended March 31, 2005. In the process of the examination we came across the following findings or recommendations which we feel need to be reviewed:

1. The formatting of the payroll accounts should be reviewed as the current trial balance for the year end showed no wages being paid for the clerk, treasurer, village council, or village president. We made the adjustments for the various departments and pulled them out of the consolidating account they are being put into. For internal reporting purposes, and year end, they should be classified into the correct departments.
2. Formatting of the withholdings and payment for the pension, IRA, medical insurance, need to be reviewed as they are presently not being recorded correctly in the general ledger.
3. On a monthly basis a reconciliation needs to be done for the due from and due to accounts to make sure they zero out. As of March 31, 2005 they were off, this was adjusted in the general fund. Due to the size of the general fund this is not a material adjustment but it still needs to be reconciled.
4. We will provide you with the March 31, 2005 audit adjustments, these need to be posted immediately so that the balances you are looking at on a monthly basis are correctly stated in each of the funds.

5. Last year we made a recommendation about the Farmers Home Administration sewer bond indebtedness. As of March 31, 2005 there is still \$710,000 outstanding, perhaps you have reviewed this for interest rate reduction, if you have not I think this should be done.
6. Review the various funds to see where possibly you can consolidate certificates of deposit into one general ledger account. Many of the funds have multiple general ledger accounts for CDs outstanding, it is easier for recording entries and reviewing reports.
7. All bank accounts, including CDs should be reconciled monthly to record interest earned, transfers, or other activities.
8. A simplified monthly report for use by the board would be helpful in understanding current financial position.
9. With more accurate monthly reporting, better control can be mandated over expenditures in relation to budgets adopted. Sewer and Municipal Funds were both over budget which is not permitted by Michigan Law. It is permissible to amend a budget but not exceed an amended budget.

The assistance given during the last audit was very much appreciated and we look forward to future engagements.

A handwritten signature in black ink, appearing to read 'D. Locey', with a stylized, looping initial 'D'.

DAVID F. LOCEY, C.P.A., P.C.  
August 29, 2005